

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF NORTH MERCER WATER)
DISTRICT, OF MERCER COUNTY, KENTUCKY,)
FOR (1) A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY, AUTHORIZING)
AND PERMITTING SAID WATER DISTRICT TO)
CONSTRUCT A WATERWORKS CONSTRUCTION)
PROJECT, CONSISTING OF EXTENSIONS,)
ADDITIONS, AND IMPROVEMENTS TO THE)
EXISTING WATERWORKS SYSTEM OF THE)
DISTRICT; (2) APPROVAL OF THE PROPOSED)
PLAN OF FINANCING OF SAID PROJECT; AND)
(3) APPROVAL OF THE INCREASED WATER)
RATES PROPOSED TO BE CHARGED BY THE)
DISTRICT TO CUSTOMERS OF THE DISTRICT)

CASE NO.
9912

O R D E R

On February 4, 1988, the Commission entered an Order in this case approving certain water rates, but dismissing the construction and financing portion of the application because North Mercer Water District ("North Mercer") was unable to meet the requirements of the Farmers Home Administration ("FmHA") within the 10-month time period for Commission action as required by KRS 278.190(3). On February 24, 1988, North Mercer filed a Motion for Rehearing in this case wherein it sought a certificate of public convenience and necessity to construct a waterworks improvement project, approval of its plan of financing for this project, and adjustments to its water service rates. The Commission considered North Mercer's motion as a motion for reconsideration. The Commission is considering North Mercer's

application as though it was made pursuant to KRS 278.023 which requires the Commission to approve the application within 30 days of satisfactory completion of the minimum filing requirements.

This project will provide service to 137 additional customers. Funding for the \$1,198,900 project includes a \$1,093,000 loan from the FmHA, \$61,400 in North Mercer funds, and \$44,500 from applicants for service in the proposed project area. The loan will be for a 40-year period at interest rates of 9 percent per annum for \$993,000 and 7 3/4 percent per annum for \$100,000.

North Mercer has filed information which indicates that reliable and adequate service can be maintained throughout the expanded system after completion of the proposed construction. The Commission reminds North Mercer of its obligation to provide adequate and reliable service to all of its customers. The adequacy of the expanded water distribution system after construction should be monitored. If the level of service is inadequate or declining, or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 6(1), North Mercer must take necessary actions to maintain the level of service in conformance with the regulations of the Commission.

On review of the record and being advised, the Commission finds:

1. Pursuant to KRS 278.023, the Commission has no discretionary authority to modify or reject any portion of this application. The application must be approved if the minimum filing requirements have been satisfactorily completed.

2. The minimum filing requirements have been met in this case. North Mercer has filed information that indicates that the project has been designed to meet the construction and operating standards set out in the Commission's regulations.

3. North Mercer should monitor the adequacy of the expanded water distribution system after construction. If the level of service is inadequate or declining, or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 6(1), North Mercer should take immediate action to bring the system into compliance with the Commission's regulations.

4. North Mercer should be granted a certificate of public convenience and necessity for the proposed construction project. The proposed construction financing plan with FMHA and the adjustment of water service rates should also be approved.

5. North Mercer should require the engineer to furnish within 60 days of the date of substantial completion of this construction a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

6. North Mercer should file the proposed water service rates as set out in Appendix A in accordance with 807 KAR 5:011, within 30 days of the date of this Order.

BE IT SO ORDERED.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 18th day of October, 1988.

PUBLIC SERVICE COMMISSION

Richard D. Hernandez
Chairman

Robert M. Davis
Vice Chairman

Spencer N. Williams
Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 9912 DATED OCTOBER 18, 1988

The following rates and charges are authorized for the customers in the area served by North Mercer Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

| <u>Usage Blocks</u> | <u>Monthly Rates</u> |
|------------------------|------------------------|
| First 1,000 gallons | \$9.00 Minimum |
| Next 2,000 gallons | 3.70 per 1,000 gallons |
| Next 2,000 gallons | 3.45 per 1,000 gallons |
| Next 5,000 gallons | 3.25 per 1,000 gallons |
| Over 10,000 gallons | 3.10 per 1,000 gallons |
| Truck Loading Stations | \$.50 per 160 gallons |